

Original citation:

Gane, Nicholas. (2014) Sociology and neoliberalism : a missing history. *Sociology*, 48 (6). pp. 1092-1106.

Permanent WRAP url:

<http://wrap.warwick.ac.uk/73500>

Copyright and reuse:

The Warwick Research Archive Portal (WRAP) makes this work by researchers of the University of Warwick available open access under the following conditions. Copyright © and all moral rights to the version of the paper presented here belong to the individual author(s) and/or other copyright owners. To the extent reasonable and practicable the material made available in WRAP has been checked for eligibility before being made available.

Copies of full items can be used for personal research or study, educational, or not-for profit purposes without prior permission or charge. Provided that the authors, title and full bibliographic details are credited, a hyperlink and/or URL is given for the original metadata page and the content is not changed in any way.

Publisher's statement:

Published version of the article: <http://dx.doi.org/10.1177/0038038513512728>

A note on versions:

The version presented here may differ from the published version or, version of record, if you wish to cite this item you are advised to consult the publisher's version. Please see the 'permanent WRAP url' above for details on accessing the published version and note that access may require a subscription. For more information, please contact the WRAP Team at: publications@warwick.ac.uk

warwick**publications**wrap

highlight your research

<http://wrap.warwick.ac.uk>

Title: Sociology and Neoliberalism: A Missing History

Abstract: This paper argues that neoliberal thought initially positioned itself in relation to classical sociology by developing an economic epistemology in response, on one hand, to Max Weber's methodological writings, and, on the other, to the positivist sociology of figures such as Auguste Comte. These points of contact between early sociological and neoliberalism are addressed in detail in order to consider the challenges that the latter poses to sociological thought. It is argued that because the neoliberal project developed out an epistemological and political critique of classical ideas of the 'social', this places sociology in a position of strength to advance a critical response to the intellectual basis of neoliberalism.

Keywords: Comte, epistemology, neoliberalism, positivism, sociology, Weber

In the wake of the recent financial crisis, there has been widespread sociological interest in neoliberalism; a form of governance that seeks to inject marketised principles of competition into all aspects of society and culture. In order to understand neoliberalism both as an abstract form of political economy and as a mode of governance that has real effects on the ground, many have turned to the past in order to explore the conditions under which it emerged and the lines along which it subsequently developed. There is a growing body of work that suggests that neoliberalism has a long and complex history; one that can be traced to the decline of classical liberalism at the end of the 19th Century and an attempt to formulate a new or ‘neo-’ liberalism in the inter-war years (Gane, 2014); to the post-war settlement (Jones, 2012); to the mobilisation of free-market ideas through the Mont Pèlerin Society from 1947 onwards (Mirowski and Plewhe, 2009); to the ‘remaking of laissez-faire’ by Freiburg and Chicago School economists (Peck, 2008); and to the shock tactics of the infamous ‘Chicago Boys’ in Latin America through the 1970s (Klein, 2007; Fischer, 2009). Read together, these histories give valuable insight into the emergence and development of neoliberal reason in a range of geographical and political settings. But, this said, they neglect a key point: that neoliberalism as both a political *and* epistemological project emerged out of a critical engagement with classical sociology. While the politics of neoliberalism have received much critical attention, the underlying epistemological commitments of neoliberal thought have, with a few notable exceptions (Mirowski and Plewhe, 2009; Mirowski, 2013), rarely been subjected to critical scrutiny, and for this reason the role sociology has played in the emergence of neoliberal thought has been largely neglected. This paper is an attempt to address this gap. It will be argued that the epistemological basis of neoliberal thought initially developed out of a critique of sociology that proceeded along two fronts: through the formulation of an economic epistemology that took Max Weber’s methodological writings as its starting point, and a more overtly political critique of the sociological positivism of Auguste Comte and his followers. These points of contact between classical sociology and early neoliberal thought will be addressed in order to place into question the epistemological foundations upon which the neoliberal project is built. It will be argued, in the concluding section of this paper, that since the neoliberalism developed out a critique of the discipline, this places sociology in a position of strength to respond critically to the intellectual basis of neoliberal thought of the past and also, potentially, of the present.

Max Weber and the Epistemology of Neoliberal Economics

In the history of neoliberal thought, Ludwig von Mises is an important but neglected figure (see Gane, 2014). In 1922, just as the period of classical sociology had come to a close, he published *Socialism: An Economic and Sociological Analysis* (1981); a book that Hayek describes as having ‘the most profound impression on my generation’. The argument of this work followed Weber (see 1978:104-7) in questioning the existence of an effective pricing mechanism in socialist economies. Mises develops Weber’s argument that ‘rational economic action is impossible without money and money-accounting’ (Mises, 1981:475) into a broader attack on the idea of a planned economy. In so doing, he draws a distinction between liberalism and socialism in terms of their different approaches to the ‘sociological category’ of ownership. While sympathetic to Weber, Mises takes a position that is fiercely opposed to Marx, declaring that ‘whoever desires that society should exist and develop must also accept, without limitation or reserve, private ownership in the means of production’ (1981:469). This call for the defence of private property, which can be found at the heart of later neoliberal texts such as Hayek’s *Constitution of Liberty* (1960), is also a key theme of Mises work *Liberalism* (2005a), which claims that such property should lie beyond the reach of the state or government (see 2005a:44), for it is the basis upon which all individual freedoms are built.

If Mises’ early writings *Socialism* and *Liberalism* seek to establish the political grounds for the development of a new kind of liberalism – one opposed to leftist thinking on questions of the state and economy – then his 1933 *Epistemological Problems of Economics* addresses a different set of sociological questions. In this work, which lays the methodological basis of for a new liberalism, Mises addresses, among other things, ‘the program of sociology and the quest for historical laws’, ‘the basic concept of actions and its categorical conditions’, ‘the meaning of neutrality with regard to value judgements’, and the connection of sociology to history - all concerns that are addressed in detail by Weber in the opening pages of *Economy and Society*. It is perhaps not surprising that Mises was drawn to these aspects of his work as Weber’s interpretive sociology had been born out in an earlier dispute over method (the so-called *Methodenstreit* of the 1870s) between the German historical school and Austrian School of marginalist economics. Weber’s method offered a resolution to this dispute by attempting to fuse historical analysis with the use of logical and formal types developed from the Austrian economist Carl Menger (whose work was later lauded by Hayek, see 1992:61-107). While the details of the *Methodenstreit* are now well

known (see Holton and Turner, 1989:30-67), little if any attention has been to the position that Mises developed in turn in response to Weber.

This is perhaps because of the theoretical density of Mises' *Epistemological Problems*, which opens with a reflection on the connection of concepts to the study of experience. Mises' basic position is predominantly neo-Kantian in orientation: that 'concepts are always logically prior to the understanding of the individual' (1960:1). He adds that 'what we know about our action under given conditions is derived not from experience, but from reason' (1960:13). The core or meta- concept that is prior to experience and which, in turn, enables us to understand the empirical world of which we are a part is what Mises calls human action. At first sight, there are clear points of convergence between Weber's concept of social action and Mises' human action, for Mises says that actions are intentional deeds and that because of this they are always rational in basis (see Mises, 1960:35). But beyond this starting point, there are clear differences. For Mises, the question is less of defining a form of action that is social insofar as it is intersubjective, the concern of Alfred Schutz (whom Mises knew well), but of identifying a form of calculative rationality that sits beneath all human actions. In Mises view, contra Weber, action does not take different forms (such as instrumental or value-rational), for all actions are both guided by values and are purposive in intent and are ultimately economic in basis.

Mises' prime example is action guided by monetary calculation, the practical significance of which, he argues, 'can scarcely be overestimated'. He explains: 'It alone gives us the basis for pronouncing a final political judgement on all kinds of socialism, communism and planned economies...' (1960:157). On this point, Mises is openly hostile to Weber. He describes Weber as 'neither an economist nor a sociologist, but an historian' (1960:74), and argues that his ideal-typical methodology, which opposed the construction of sociological laws (see Weber, 1978:4-22), missed the possibility of formulating sociology as a nomothetic science of human action – one that takes the basic economic rationality of human life as an *a priori* fact (on other economic laws that are 'valid always and everywhere', see Mises, 1960:85-6). Against Weber, Mises asserts the following: 'All action is economizing with the means available for the realization of attainable ends. The fundamental law of action is the economic principle. Every action is under its sway' (1960:80). In this little-known text on epistemology presents the basis of an economic alternative to sociology; one centred not on the interpretive understanding of social actors, but on the economic rationality that underpins all human actions. This is the epistemological starting point of Mises' libertarianism: that the

human is fundamentally economic rather than social in basis, and that this is an *a priori* principle that is beyond questioning.

Many of the core arguments of *Epistemological Problems of Economics* are reproduced at much greater length in Mises' three volume work *Human Action*, which was first published in 1949. In his lectures on biopolitics, Michel Foucault identifies this work as a turning point in the neoliberal project as it attempted to apply a model of *homo oeconomicus* not just to economic action but to 'every social actor in general'. Foucault argues that this approach, which can clearly be detected in Mises' earlier work, influenced the American neoliberalism of the Chicago School, which, in turn, sought 'to apply economic analysis to a series of objects, to domains of behaviour or conduct which were not market forms of behaviour or conduct...to marriage, the education of children, and criminality, for example' (2008:268). One of the striking features of *Human Action* that Foucault misses, however, is its break from sociology, at least in name, through the formulation of a new field of study, which he terms *praxeology* (see Mises, 2007:22). Mises argues that praxeology is science that can be developed out of classical forms of liberal economics by broadening what was previously a narrow focus on market phenomena into a 'general theory of human choice' (see Mises, 2007:2-3). Mises explains: praxeology 'is the science of every kind of human action. Choosing determines all human decisions. In making his choice man chooses not only between various material things and services. All human values are offered for option' (2007:3). Everything, including presumably even life itself, becomes open to marketised forms of choice, and indeed Mises declares that in essence nothing 'remains outside of this arrangement'.

It is for this reason that the longest section of *Human Action* (see 2007:232-688) deals with a branch of praxeology that Mises terms *catallactics*, which is, put simply, a science of market phenomena that centres on actions conducted on the basis of monetary calculation (for a sociological analysis of the related Hayekian theory of *catallaxy*, see Sayer, 1995:70-4). Through the course of his writings on catallactics, Mises addresses the principle of competition. He does so by drawing a distinction between biological competition, which refers to rivalry between animals over the resources needed to subsist (the Darwinian notion of survival of the fittest), and competition as a form of social cooperation, which 'substitutes partnership and mutuality for hostility' (2007:273). For Mises, it is the market that ensures the existence of this latter form of sociality, for while the market operates as an arena of struggle between buyers and seller, there must always be cooperation between participants in order for there to be agreement over price. Competition is thus seen to be an integrative force,

and for this reason Mises stands against its restriction at all costs, particularly where this is the result of ‘government and labour union interference’ (see 2007:279).

Many of these arguments are extended and refined, in turn, by Friedrich Hayek in his writings of the 1930s and 1940s. Hayek, like Mises, had a long-standing interest in the work of Weber, and was involved in the first attempt to translate the first two chapters of Weber’s *Economy and Society* into English (see Swedberg, 1998:302). But Hayek broke in important ways with the epistemological basis both of Weber’s and Mises’ work, which in line with the conventions of neoclassical economics place a rational human subject at the heart of economic and social action. Hayek questions many of the basic principles of neoclassical theory developed previously by figures such as Léon Walras and Stanley Jevons, including ideas of market equilibrium (see Hayek, 1948:33-56) and perfect competition (Hayek, 1948:92-106). But his main his main point of difference lies in his quite different view of the rationality of markets and their participants. For Hayek argues that the mistake of neoclassical economics, and of sociological approaches that share its basic epistemological framework, is to place too much confidence in the ideal of the *homo œconomicus* – a construct that he blames on the pernicious influence of French rationalism on classical liberalism. Hayek’s position, instead, is that in practice there are clear limits as to what human actors – and, by extension, governmental bodies – can know, for the full complexity of the empirical world can never be known by a single mind (again an extension of neo-Kantianism). Human knowledge is thus necessarily imperfect. The question that follows, and which for Hayek is the central problem of all social science, is ‘How can the combination of fragments of knowledge existing in different minds bring about results which, if they were to be brought about deliberately, would require a knowledge on the part of the directing mind which no single person can possess?’ (1948:54). For Hayek, it is the free-market that can do this job as it can bring the lay knowledge of all individual actors into a single form: a price. The market is thus seen to be the meta-processor of all information. It is, in Hayek’s view, a ‘marvel’ (1948:57).

From this epistemological starting point, Hayek advances a set of political commitments that are comparable but not identical with those of Mises, most notably: opposition to the state planning of economies; an argument for the market as a socially integrative force; and a bid to mobilize politically to open up competition in social institutions where previously it has been prevented. But whereas Mises takes a libertarian position that seeks to protect individual freedom and choice from the powers of big government, Hayek argues, more subtly, that government and the state are of crucial

importance because they can be deployed to work in service of the market. As Foucault observes in his biopolitics lectures, particularly in relation to the emergence of ordoliberalism in post-War Germany, what is important about this move is that it leads to a fundamental redefinition of the role of the state, which is now not just to act as a guarantor of the market but to work actively to promote competition into spaces of the social that the market previously could not be reached (see Gane, 2012a; 2012b:72:94). In his opening speech at the inaugural meeting of the Mont Pèlerin Society, Hayek declares that ‘It is the first general thesis which we shall have to consider that competition can be made more effective and more beneficent by certain activities of government than it would be without them’ (1948:110). It is with this call to rethink the ways in which ‘activities of government’ can be made to benefit the market, that the neoliberal project, as something distinct both from classical liberalism and libertarian forms of thought, first takes shape; both intellectually and on the ground.

The Neoliberal Critique of Positivism

The epistemological work that underpins this project, however, does not stop here. From the early-1940s through to the early-1950s, Hayek continued to write extensively on what the epistemological underpinnings of social science. Indeed, through this period he advanced the basis of an economic liberalism that took the classical tradition of sociology as both its starting point and its point of departure. This project, as argued above, starts with a reconsideration and ultimately critique of the principles of neoclassical economics that frame Weber’s interpretive sociology, and extends post-War to a dismissal of the tradition that lies at the other end of the methodological spectrum: positivism. An early expression of Hayek’s dissatisfaction with sociological forms of positivism can be found in his 1942 essay ‘The Facts of Social Science’ (see 1948:57-76), in which he argues that it is wrong to believe that social science is more scientific when it centres on the observation of collectivities such as the state or society than on the analysis of individual action. Hayek argues that such a view is ‘sheer illusion’ and adds that social facts (presumably in the Durkheimian sense) are little more than ‘mental models’ (1948:69). On this basis, Hayek, like Mises, assesses the epistemological status of sociology in relation to its fellow disciplines. He argues that the role of sociology is to construct theories that are logically prior to history and which can, in turn, explain ‘the terms that history must use’ (Hayek, 1948:72). Social theory, he adds, cannot formulate laws that ‘in the sense of empirical rules about the behaviour of objects definable

in physical terms', but is nonetheless valuable for a different task: 'to provide a technique of reasoning which assists us in connecting individual facts...' (1948:73). Hayek's message is clear: social science should give priority in the first instance to that which is individual, rather than starting with what he terms 'the whole'.

Hayek develops his critique of positivism at much greater length in his book *The Counter-Revolution of Science* (1952a). The opening chapter of this book addresses the influence of the natural sciences on the social sciences, and is deeply critical of the tendency for the latter to imitate the former in 'its methods rather than its spirit' (1952a:21; a position endorsed in turn by other influential Austrian figures such as Fritz Machlup, see 1956:161-72). Hayek argues that those who have called for social science to adopt the methods of the natural sciences have rarely contributed much to our knowledge of science itself, and because of this we should be suspicious of their right to speak on this subject. The main target of Hayek's criticism here is Comte; a criticism that is largely unfounded given that Comte was a key figure in the emergence of biology in modern form (for a detailed overview of Comte's influence on this science, see Pickering, 1993:588-604). Nonetheless, Hayek accuses Comte of *scientism*, or what he terms the 'slavish imitation of the method and language of Science' (see Hayek, 1952a:52), and argues that the problem of such an approach lies in its 'mechanical and uncritical application of habits of thought to fields different from those in which they have been formed' (1952a:24). Hayek argues, as an extension of this position, that it is a mistake for the social sciences to impose predefined conceptual or methodological schemes that are 'collective' in orientation onto the study of the world. In particular, he questions the tendency for these sciences to break with our innate sensory understandings only to replace them with new forms of external classification which elevate ideas of the social over that which is said to be 'individual'.

This position is elaborated in detail in his work on psychology, *The Sensory Order* (1952b), which addresses questions of pre-sensory experience and 'pure empiricism', and which treats the mind, like the market, as a decentred 'communication network that enables complex coordination' (D'Amico and Boettke, 2010:359). In a key passage of *The Counter-Revolution of Science*, published in the same year as *The Sensory Order*, Hayek argues that the problem with 'scientific' approaches, including the social scientific writings of Comte and Durkheim, is their tendency to assert external properties or structures onto the individual mind: 'When the scientist stresses that he studies objective facts he means that he tries to study things independently of what men think or do about them. The views people hold about the external world are to him always a stage to be overcome' (1952a:39). Hayek responds by

declaring that such an approach is mistaken for the data of the social sciences are subjective in character, and, because of this, sociology should seek analyse individual action not in terms of the external qualities of people and things, but by addressing what this physical world means to the actors that we are trying to understand (see 1952a:59-60). To do this, Hayek argues, it is necessary to take quite a different approach to Comte's 'methodological collectivism' or to Durkheim's theory of social facts. For rather than studying entities – such as society or capitalism – as given 'wholes', the laws of which can be discovered through observation, it is necessary instead to employ a method that constitutes wholes by connecting together individual elements that can then take the form of a model. Indeed, it is only through such work that it becomes possible to grasp how 'the independent action of many men can produce coherent wholes, persistent structures of relationships which serve important human purposes without having been designed for that end' (1952a:141). Again, Hayek is unwavering: social science should not start with 'wholes', to which are bestowed a form of mind, but rather from the inside; from the sensory experience of actors and 'the interactions of individual efforts' (1952a:152).

Hayek's epistemology, however, is intrinsically political. He argues that the ideology of centralized economic planning is directly connected to the 'scientistic ideas' of positivism, for ideas of social 'engineering' or 'planning' are based upon 'typical situations defined in terms of objective facts', and as such do not address the problem of 'how to find out what resources are available or what is the relative importance of different needs' (Hayek, 1952a:168). Hayek argues such 'scientism' not only has an underlying political purpose ('it leads directly to political collectivism', 1952a:161), but also constitutes an abuse of reason; one that can be traced to the sociologies of Saint-Simon and Comte. That Comte is identified as a chief culprit in this development comes as little surprise. Three years earlier, in *Human Action*, Mises had placed Comte in a 'long line of utopian authors' who had aimed 'at dictatorship either for themselves or for men who would accurately put their plans into execution' (2007:72) and thereby championed a 'revolt against reason'. Mises describes Comte as an advocate of 'intolerant tyranny' (2006:111), and adds that

He knew precisely what the future had in store for mankind. And, of course, he considered himself as the supreme legislator. For example, he regarded certain astronomical studies as useless and wanted to prohibit them. He planned to substitute a new religion for Christianity, and selected a lady who in this new church was to replace the Virgin. Comte can be exculpated, as he was insane in the full sense which pathology attaches to this term. But what about his followers? (2007:72-3).

Hayek extends Mises' critique of Comte by treating his work as an extension of the 'authoritarian socialism' of Saint-Simon's writings on industrialism. He argues that Comte's early formulation of a 'positive system' is little more than a 'restatement' of Saint-Simon's work, including his social physics, the purpose of which is 'to discover the natural and unavoidable laws of the progress of civilization which are as necessary as that of gravitation' (Hayek, 1952a:254-5). For Hayek, Comte only broke from Saint-Simon when, in his writings of the 1850s, he sought to turn positivism into a new religion of humanity. Mises describes this phase of Comte's work as insane, but Hayek takes a different view: that this insanity had been 'present in Comte's thoughts from the beginning' (1952a:258; for a reiteration of this point, see 1952a:323). For Hayek, then, sociology in its original Comtean formulation is, at best, an abuse of reason, and, at worst, a 'science' that sits on edge of madness.

In the final sections of *The Counter-Revolution of Science*, and in particular in a chapter entitled 'Sociology: Comte and His Successors', Hayek restates and extends many of his earlier criticisms of scientism. He is hostile to Comte's work on the following grounds: it calls for the unity of science through the application of a positive method but does not tell us what, exactly, this method consists of (1952a:336); it defines sociology as the study of social statics and social dynamics but, in practice, 'has extraordinarily little to say' about the former (1952a:342); and it argues for the elevation of sociology over other sciences that Comte knew little about, in particular economics (1952a:348). Hayek's reading of Comte is clearly tendentious as the latter did address social statics, or the different social states of polytheism, metaphysics and the 'positive', in great detail through the course of his work (for an overview, see Pickering, 1993:624-31). It is also debateable whether Comte knew little about economics as his theory of the division of labour (to which Durkheim later responds) was based on the work of Adam Smith, who, along with David Hume, featured prominently in the positivist calendar. But these criticisms of Comte, which are never developed in any detail through the course of *The Counter-Revolution of Science*, are distractions from what is really at issue here: the question of whether government should curtail individual freedoms in pursuit of a common good. Comte's position, which is far removed from that of Hayek, is summarised by Mary Pickering as follows:

To prevent the spread of alienation and the collapse of the social structure, a government composed of both a moral and a physical force was necessary. No longer a simple guardian of order, the government would actively intervene in society to ensure that individuals worked for a common goal and that the general good

prevailed. Only in this coercive way would the division of labour lead to greater social cooperation (1993:349).

Hayek does not address Comte's position on government directly, but again works along epistemological lines by questioning of the basis of his 'collectivist approach'. He takes issue, in particular, with Comte's theory of the law of three stages (the theological, metaphysical, and positive), the epistemology of which he terms 'distressingly naïve and unsatisfactory'. The problem, for Hayek, is again the idea that natural laws can be applied to social phenomena. He complains: 'The statement that all phenomena are subject to invariable natural laws clearly makes sense only if we are given some guidance on what individual events are to be regarded as the same phenomena' (1952a:329). Hayek argues that Comte's failure to address this problem led to his 'astounding assertion' that the social whole is better known than its parts; an axiom which is said to be 'indisputable' and is thus presupposed rather than explained.

For Hayek, a key problem of such an approach is that it treats phenomena of the mind, and of what might be called the individual, as objective things that can then be subjected to the same procedures of observation and control as physical phenomena, as well as to general 'laws' of development. Hayek argues that this externalization of mind gives new powers to the (social) scientist, and opens the path to a new form of 'intellectual government' under which 'only the competent scientists will be allowed to decide on the difficult social questions' (1952a:352-3). Hayek treats Comte's sociology as authoritarian in basis, and, indeed, he argues that many of the statements of his later work – for example, 'individual rights will disappear and there will be only duties', or that 'in the new society there will be no private persons but only state functionaries of various units and grades' – are identical to those made by 'German theoreticians who laid the intellectual foundations of the doctrines of the Third Reich' (1952a:354). This claim – that there is a line of continuity that runs from the 'abuses of reason' of Comte's methodological collectivism to the horrors of National Socialism – does little more than reproduce Mises' earlier idea that the roots of fascism can be traced to leftist assaults on the principles of classical liberalism (see Mises 2005a:47-51). The shift from epistemology to politics is made without any accompanying argumentation or analysis. Hayek, like Mises, simply declares that authoritarian government is the direct and necessary outcome of taking a collective approach to the study of the social.

Mises advances a critique of the work of Durkheim that runs along similar lines. Mises' earliest reference to Durkheim is in his work *Socialism*, which questions the division of labour as a principle of social development (see 1981:259-61). Durkheim argues, at the

outset of *The Division of Labour in Society*, that followers of Adam Smith are mistaken in treating the division of labour as primarily an economic form as it is also a key source of social solidarity. For Durkheim, this is the most important point made by Comte, who ‘was the first to point out that in the division of labour there was something other than a purely economic phenomenon. He saw in it “the most essential condition of social life”...’ (Durkheim, 1984:23). Mises, unsurprisingly, takes issue with this position, and thus also with Durkheim’s critique of Smith and utilitarianism. In a lengthy footnote, Mises responds to Durkheim directly by stating that he overlooks the fact that the specialization of the division of labour is only possible because it makes labour more productive, and adds that ‘Durkheim comes to reject the theory of the importance of the greater productivity in the division of labour through a false conception of the fundamental idea of utilitarianism and of the law of the satiation of wants’ (1981:260). Rather than see the division of labour as a source of social solidarity, Mises argues instead that it has a ‘differentiating influence’ that is central to the ‘further cultivation of individual talent’ (1981:260). In these terms, the division of labour is to be valued not because it brings new forms of societal integration but rather because it generates competition between individuals that is seen to be healthy for the economy.

This emphasis on the individual rather than the social or the collective, which is reproduced in Hayek’s critique of Comte, is a consistent theme of Mises’ work. In his later book *Theory and History* (2005b [1957]), Mises dismisses Durkheim ‘and his school’ for dealing with the ‘group mind as if it were a real phenomenon, a distinct agency, thinking and acting’, and for seeing the group rather than individuals as the subject of history (2005b:127-8). This argument is extended by Hayek in his late work *Law, Legislation and Liberty*, which questions thinking that integrates individual activities into an underlying social order. In a blunt rejoinder to Durkheim, Hayek declares that ‘A Great Society has nothing to do with, and is in fact irreconcilable with “solidarity” in the true sense of unitedness in the pursuit of known common goals’ (2013:271). While it is not clear why ‘in fact’ this is the case, Hayek accuses Durkheim of making a fundamental mistake in confusing morality with individual altruism. He argues that Durkheim abuses the former of these terms by using it ‘to describe any action which is unpleasant or harmful to the doer but beneficial to society’ (2013:499; see also 2013:527). In response, Hayek argues for the reverse, namely economic egoism or what he calls ‘financial gain’, on the grounds that while it may have unpleasant consequences for individual others it is the cause for an increase in general wealth so that everyone ultimately benefits. For this reason, he argues that an ‘open society’, infused by the

competitive structures of free market capitalism, is not characterised by moral decline; an argument that can be found in earlier form in the work of Adam Smith.

This question of morality lies at the heart of Durkheim's sociology, which anticipates many of arguments of later forms of economic liberalism and, as Talcott Parsons observes in *The Structure of Social Action*, takes a quite different position: that 'a state of purely contractual relations would not be order but *anomie*, that is chaos' (Parsons, 1937:346). It is precisely this point that is at stake in *The Division of Labour*, through the course of which Durkheim insists that altruism is the fundamental basis of social life. Contrary to the later arguments of Mises and Hayek, Durkheim insists that 'Men cannot live together, and consequently without making mutual sacrifices, joining themselves to one another in strong and enduring fashion'. He adds that 'Because no individual is sufficient unto himself, it is from society that he receives all that is needful, just as for society that he labours' (Durkheim, 1984:173). Mises does not engage with this position in detail but dismisses it out of hand, arguing, in similar vein to Hayek's critique of Comte, that it does little more than revive the old spectre of the *Volkgeist*, and in so doing opens the door for totalitarianism and even dictatorship (see Mises, 2005b:161). This claim - that there is a necessary connection between group solidarity and authoritarian government - is again made without any supporting evidence or even an accompanying explanation or argument, prompting one to ask where the 'abuse of reason' here lies: with Comte and Durkheim, or rather with Mises and Hayek?

Concluding Remarks

This paper advances a genealogy of neoliberal reason that is quite different to existing work on this subject (for example, Foucault, 2008; Stedman Jones, 2012; Burgin, 2012): one that takes as its starting point the critique of interpretive and positivistic forms of classical sociology that underpins the development of an epistemology of economics that, in turn, is closely allied to a new vision of market-led politics. This neoliberal encounter with sociology started with Mises' economic critique of Weber's interpretive sociology, which is developed in turn into a broader theory of praxeology and catallactics; one that replaces classical notions of the *homo oeconomicus* with another form of rationalism that roots the fundamental value of human action in the ability for individuals to make choices within markets that are free from the control of the state. Hayek went further and questioned the neoclassical economic principles that underpinned the respective epistemological

commitments of thinkers such as Weber and Mises, for whom a model of a rational social (Weber) or human (Mises) actor sits at the heart of all economic life. Hayek instead advances a neo-Kantian argument for the unknowability of the noumenal realm by insisting that the empirical world is so infinitely complex that human knowledge is always, by definition, imperfect. Because of this, truth, if there can be any such thing, is seen not to come from that which human or social but from the economic, or more precisely from the pricing system of market: that ‘marvel’ that is said to co-ordinate the lay knowledge of all actors into ‘one’. Hayek here departs from the libertarian commitments of Mises, for while he shares the view that governmental knowledge is also necessarily imperfect, he argues that government and the related institution of the state are nonetheless useful because they can lend support to the operation of the ‘free’ market. This, as, Foucault (2008) observes in his lectures on biopolitics, leads to the emergence of a new, neo-liberal configuration of the state and market in which the former is to serve the interests of the latter and to act as its guarantor in the last instance.

What Foucault misses, however, is that accompanying this attempt to redefine the role of government and the state is an epistemological project that attacks positivistic conceptions of the social as a collective form; as something more than the sum total of individual ‘freedoms’ that can be realised through competition in a market. Hayek’s position is that social science should never start from the assumption that there is such a thing as a social ‘whole’, and for this reason the application of a deductive method is a mistake. To do so, he argues, is to give ‘social mind’, and with this rationality and power, to collective properties or entities such as government and the state that subsequently become unaccountable to the concerns and interests of individuals. For this reason, Hayek argues that all forms of methodological collectivism are essentially authoritarian in basis, and on this basis he dismisses the term ‘social’ as little more than a ‘weasel word’ (Hayek, 1988:114-7) . What he proposes instead is a method that centres on spontaneous processes of ordering that emerge from the actions of individuals and which find concrete expression through acts of exchange and competition in markets. Hayek’s aim, seemingly, is to replace Comte’s ‘scientism’ with a different kind of ‘science’ (which is equally if not more scientific); one that, in turn, is called upon to validate a political position, which, simply put, is that the state should serve the interests of individual freedom by turning everything ‘social’ into a market. For Hayek, as for Mises, market-based competition is the foundation of all individual cooperation rather than a threat to what classical figures such as Durkheim defined as social solidarity.

Neoliberalism, however, is a complex and multi-faceted project and it would be a mistake to reduce it a single epistemological position or commitment. It is important to note that while Hayek's rejection of positivism was central to the underlying epistemology of neoliberal thought in post-War Europe, it was not a move that was embraced by his colleagues on the other side of the Atlantic, in particular Milton Friedman (who is generally treated as pioneer of neoliberal economics in the US even though neoliberalism is not a term that he openly embraced). It is not possible to address Friedman's work in any detail in the present paper (see Burgin, 2012:152-213 for a detailed overview), but his seminal book *Essays in Positive Economics*, published in 1953, attempted to formulate a new type of economics which, in principle if not necessarily in practice, that was 'independent of any particular ethical position or normative judgements' (Friedman, 1953:4), and which sought to develop theories and hypotheses that 'can yield valid and meaningful..predictions about phenomena not yet observed' (1953:7). Friedman takes a methodological position that is both close to Weber's commitment to a value-free sociology that operates through the use of ideal-types and far removed from Hayek's individualistic brand of empiricism. What is striking, for the purposes of the present paper, is that epistemological basis of these different trajectories of neoliberal thought have largely escaped sociological attention, in spite of the fact that in the case of Hayek and his mentor Mises, their philosophy of method is developed out of a direct critique of the epistemological basis of classical sociology (Friedman, for his part, declares that he is indebted more to the work of Karl Popper). Hayek's initial formulation of neoliberalism, to which figures such as Friedman effectively responded (on the changing intellectual focus of the Mont Pèlerin Society under his leadership, see Burgin, 2012:123-51), is based on a rejection of the epistemological commitments of Weber, Comte and Durkheim – commitments which continue to shape methodological debates in the discipline today - but there appears to have been little, if any, sociological reply. This leaves two questions: why have sociologists rarely taken the neoliberal critique of their discipline seriously (along with the epistemological arguments of key figures such as Hayek), and what can be done to rectify this situation? These are complex questions that can only be addressed here in brief by way of conclusion.

First, there is the puzzle of why, historically, there has been no attempt to defend the classical tradition from the attack of neoliberals such as Hayek, let alone formulate some kind of response. To take the example of Max Weber, there is now a huge secondary literature on his life and work within which Mises and Hayek barely receive a mention. There is no easy answer as to why this is the case, but a clue can be found in Weber's own writings on

markets. At the outset of his 1894 pamphlet on ‘Stock and Commodity Exchanges’, Weber argues that a detailed sociological understanding of stock and commodity markets cannot be achieved by those who reject the value of such markets on ideological grounds. He gives the example of the ‘highly dangerous notion’ that wherever one encounters a social institution that is not strictly “socialist” (as the exchanges are not), then one is dealing with a wholly dispensable organization’ (2000a:305). Perhaps something similar can be said of sociology and its approach to neoliberalism? One answer to this puzzle is that because few within the discipline have openly sympathised with its politics of the neoliberal project its intellectual (not to mention its epistemological) basis has largely been dismissed out of hand. This, as Weber might have predicted, has proved to be a dangerous strategy, for it has allowed this project to develop on its own terms and because of this it largely evaded sociological attention and critique through its formative years: from the intellectual inception of neoliberalism in the work of Hayek from the late-1930s onwards through its roll-out in Latin America in the early-1970s (see Fischer, 2009). It was only in the 1980s, with advent of Thatcherism and Reaganism that the term neoliberalism finally entered the sociological vocabulary (see, for example, Laclau and Mouffe, 1985), and even then it tended to be used pejoratively to refer to an ideology of the political right. But again the danger in dismissing neoliberalism as mere ideology, as something that in itself does not need to be taken seriously, is that it exempts this form of thought from sustained critical scrutiny. Even if neoliberalism is to be categorized as a form of ideology, ideologies, as Michael Freeden has observed, are not simple things, for they are ‘distinctive configurations of political concepts’ that operate as ‘ways of organizing social reality’ (1996:3). To analyze and potentially engage with the ways in which neoliberalism organizes its own version of social reality, neoliberalism, first of all, must be treated as a serious intellectual project, and this means paying detailed attention not just to its politics but also to its epistemology and to the loop it constructs between the two – something this paper has attempted to do, if only as an opening foray into a complex historical field.

Second, this paper is an invitation to return to the epistemological and political critiques of classical sociology that frame neoliberal thought at its outset and to which the discipline, for the most part, has yet to respond. Given that neoliberalism initially defines itself by drawing upon and distancing itself from key methodological principles of sociological theory, this potentially places sociology in a unique position for understanding and responding to this new form of political economy. There are many sociological resources that can be mobilized for such a purpose, but given that the initial epistemology of neoliberal

thought emerged out of a critique of classical sociology, this is perhaps an obvious place to start. The most urgent task here is to question the neoliberal tendency to elevate the status of the economic over the social, if indeed the latter category is credited by neoliberal thought as existing at all. One way of proceeding is to return to what Freeden calls the ‘political concepts’ that underpin the neoliberal project and open them to sociological contestation; an exercise for which the writings of Weber and Durkheim (and others who cannot be covered here, such as Karl Polanyi), while working out of quite different epistemological frames, can potentially still be of use.

Both Weber and Durkheim, for example, can be used to think historically and critically about the relation of the economic to the social, both in the past and the present. Weber is useful not least because he reminds us that the social is something more than class (see Gane, 2005) or what he calls a ‘market situation’, and cannot simply be explained in terms of the ownership of property or through a set of fundamental economic values, and because of this it may ‘hinder the strict carrying through of the market principle’ (1978:930). The social, Weber argues, is not about not about competition but rather communal relationships that are directed by shared cultural values and ‘styles of life’. In these terms, which break from the confines of neoclassical economics in a different way to Hayek, sociality is more than something that can be reduced without question to an economic principle. Durkheim, meanwhile, reminds us in a different way not only that there are forms of social solidarity that no individual can do without, but that emergent forms of individualism are accompanied by new forms of social interdependence, and that individualism – in the form of the market – is itself an institution. The challenge Durkheim’s sociology presents back to neoliberalism is to think again about the basis of social ‘interdependence’ and social solidarity, and, like Weber, to conceive of the social as something more than the economic; as something more than competition in a market. Durkheim, unlike Weber, did not write extensively on markets, but nonetheless in Book 3 of *The Division of Labour* he describes a transition from pre-industrial segmental societies, in which ‘there are as many economic markets as there are different segments’, to the modern, ‘organised’ world, in which there is a ‘fusion of all markets into one single market, which embraces almost all of society’ (1984:305). Today we might ask what the limits are of such a process, or, to use a different Durkheimian term, what remains sacred in the face of the on-going marketization of society and culture? What is left of the social in a world in which market forces appear to be triumphant? Is there a conceptual definition or empirical form of the social that sociologists should seek to (re-)animate or defend? Such concerns animated

the classical sociological tradition from its inception, and in today's 'post-crisis' world they demand renewed attention.

References

- Burgin, A. (2012). *The Great Persuasion*. Cambridge: Harvard University Press.
- D'Amico, D. and Boettke, P. (2010). 'Making Sense Out of *The Sensory Order*'. *Advances in Austrian Economics*, 13, pp.357-81.
- Durkheim, E. (1984). *The Division of Labour in Society*. Basingstoke: MacMillan.
- Fischer, K. (2009). 'The Influence of Neoliberals in Chile Before, During, and After Pinochet', in P. Mirowski and D. Plehwe (eds.) *The Road From Mont Pèlerin*. Cambridge: Harvard University Press.
- Foucault, M. (2008). *The Birth of Biopolitics*. Basingstoke: Palgrave.
- Freedon, M. (1996). *Ideologies and Political Theory: A Conceptual Approach*. Clarendon: Oxford.
- Gane, N. (2005). 'Max Weber as Social Theorist: "Class, Status, Party"'. *European Journal of Social Theory*, 8, 2, 2005, pp.211-26.
- Gane, N. (2012a). 'The Governmentalities of Neoliberalism: Panopticism, Post-Panopticism and Beyond'. *Sociological Review*, 60, 4, 2012, pp.611-34.
- Gane, N. (2012b). *Max Weber and Contemporary Capitalism*. Basingstoke: Palgrave.
- Gane, N. (2014). 'The Emergence of Neoliberalism: Thinking Through and Beyond Michel Foucault's Lectures on Biopolitics'. *Theory, Culture and Society*, forthcoming.
- Hayek, F. (1948). *Individualism and Economic Order*. Chicago: University of Chicago Press.
- Hayek, F. (1952a). *The Counter-Revolution of Science*. Indianapolis: Liberty Fund.
- Hayek, F. (1952b). *The Sensory Order*. Chicago: University of Chicago Press.
- Hayek, F. (1960). *The Constitution of Liberty*. London: Routledge.
- Hayek, F. (1988). *The Fatal Conceit: The Errors of Socialism*. London: Routledge.
- Hayek, F. (1992). *The Fortunes of Liberalism*. Chicago: University of Chicago Press.
- Hayek, F. (2013). *Law, Legislation and Liberty*. London: Routledge.
- Holton, R. and Turner, B. (1989). *Max Weber on Economy and Society*. London: Routledge.
- Jones, D.S. (2012). *Masters of the Universe*. Princeton: Princeton University Press.
- Klein, N. (2007). *The Shock Doctrine*. London: Penguin.
- Laclau, E. and Mouffe, C. (1985). *Hegemony and Socialist Strategy*. London: Verso.

- Machlup, F. (1956). 'The Inferiority Complex of the Social Sciences', in M. Sennholz and V. Crawford (eds.). *On Freedom and Free Enterprise*. Princeton: Van Nostrand.
- Mirowski, P. and Plehwe, D. (eds.) (2009). *The Road From Mont Pèlerin*. Cambridge: Harvard University Press.
- Mirowski, P. (2013). *Never Let a Serious Crisis Go To Waste*. London: Verso.
- Mises, L. von (1960). *Epistemological Problems of Economics*. Princeton: Van Nostrand.
- Mises, L. von (1981). *Socialism: An Economic and Sociological Analysis*. Indianapolis: Liberty Fund.
- Mises, L. von (2005a). *Liberalism*. Indianapolis: Liberty Fund.
- Mises, L. von (2005b). *Theory and History*. Indianapolis: Liberty Fund.
- Mises, L. von (2006). *The Ultimate Foundation of Economic Science*. Indianapolis: Liberty Fund.
- Mises, L. von (2007). *Human Action*. Indianapolis: Liberty Fund.
- Parsons, T. (1937). *The Structure of Social Action*. New York: The Free Press.
- Peck, J. (2008). 'Remaking Laissez-Faire'. *Progress in Human Geography*, 32, 1, pp.3-43.
- Pickering, M. (1993). *Auguste Comte: An Intellectual Biography, Volume 1*. Cambridge: Cambridge University Press.
- Sayer, A. (1995). *Radical Political Economy: A Critique*. Oxford: Blackwell.
- Swedberg, R. (1998). *Max Weber and the Idea of Economic Sociology*. Princeton: Princeton University Press.
- Weber, M. (1978). *Economy and Society*. Berkeley: University of California Press.

Acknowledgments: I would like to thank the two anonymous reviewers for their detailed comments, which prompted me to make extensive revisions to an earlier version of this article. This work has been produced under the auspices of a British Academy Mid-Career Fellowship (MD120007).

Biographical Details: Nicholas Gane is Professor of Sociology at the University of Warwick, UK. His research interests lie broadly in the fields of social and cultural theory, economic sociology, and political economy. His previous publications include *Max Weber and Contemporary Capitalism* (Palgrave, 2012), *New Media: Key Concepts* (with David Beer, Berg/Bloomsbury, 2008); *The Future of Social Theory* (Continuum/Bloomsbury, 2004), and *Max Weber and Postmodern Theory* (Palgrave, 2002).